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ABSTRACT

An overview study was sponsored by the Council on Library Resources to gather existing information on the extent to which fees are charged for library and information services, the percentage of libraries charging for any services, and the services for which fees are charged. The review panel that conducted the study found that there is little data available on who is charging fees or the services for which they are charged, and even less about the effect of fees on access to information. This report of panel's findings is divided into six sections: (1) the context of the fee issue in public and academic libraries; (2) the types of existing fee structures and mechanisms, and rationale for setting prices; (3) the arguments for and against fees; (4) the types of services for which libraries are charging fees; (5) selected summaries of recent studies on the use of fees in public and academic libraries; and (6) recommendations for future studies. An executive summary, footnotes, and a 49-item bibliography are included. (BBM)

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The Role of Fees in Supporting Library and Information Services in Public and Academic Libraries

EXECUTIVE SUMMARY

The issue of fees and access to information has been of interest to NCLIS since its establishment in 1970. Recently the issue was again brought to the attention of the Commission by its Task Force on Library and Information Services to Cultural Minorities. Three of the Task Force's recommendations related to fees. During the discussion of these recommendations, members of the Commission raised several questions concerning the extent to which fees are charged, the percentage of libraries charging for any services, and the services for which fees are charged. Because the information to answer their questions was not readily available, the Commission decided that an overview study was needed to gather existing information and to indicate what data are missing. The Council on Library Resources generously provided funds for this study. An outside expert was chosen to write the paper and a distinguished Review Panel was selected to oversee its preparation.

The major findings of this study are:

1. An objective statement of the complex issues related to the charging of fees in public and academic libraries.
2. An objective statement of the pro-fee and anti-fee arguments.
3. A confirmation of the hypothesis that there is little data available about who is charging fees, the services for which fees are charged and even less about the effect of fees on access to information.

The major recommendations of this study are that:

1. The library and information community use this study as a springboard for discussion of fees with the goals of clarifying the issues and making sound policy decisions.
2. More data be gathered on who is charging fees and for what services.
3. Additional studies be undertaken to determine the effects of fees on: a) access to information by users, in particular those least able to pay, b) user behavior, and c) library service.

The paper is divided into six sections: 1) The context of the fee issue in public and academic libraries, 2) The types of existing fee structures, mechanisms and rationale for setting prices, 3) The arguments for and against fees, 4) The types of services for which libraries are charging fees, 5) Selected

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summaries of recent studies on the use of fees in public and academic libraries, and 6) Recommendations for future studies. A summary of the sections follows.

Section I - The context of the fee issue in public and academic libraries

The 1980's are a period of dramatic change in how public institutions raise and invest financial resources. Traditional revenue sources are lagging behind funding requirements for capital improvements and service delivery. Financial capacity is limited, and the competition for funding among programs is great. In response to this financial pressure, there has been a significant growth in the use of fees within the public sector over the past decade. Determining which services to provide through fee financing and which services to subsidize are policy issues confronting an increasing number of public and academic librarians and public officials. The shift to fees moves the cost burden from the general tax payer to the user. As a public institution funded by tax means, the public library has traditionally made its services available to the community. The tradition of "free" library service to users and the principal of equal opportunity of access to information have been considered the cornerstones of American public librarianship.

To begin to understand the fee issue it is necessary to examine the public/private nature of service delivery. The traditional view of service provision is a continuum with pure public goods (fully tax supported) at one end and pure private goods (fully fee-supported) at the opposite end. Local services such as basic police and fire operations are typically considered public goods. Public goods cannot be exchanged or distributed efficiently by the market. Private services such as public utilities, solid waste disposal and municipal airports are usually provided through fee financing. Private goods primarily benefit the individual purchaser. Those services falling in the middle of the continuum are merit goods and are financed by a combination of revenue sources. Merit goods are private goods which the community provides for both the benefit of the user and the overall good of the community. Schooling is a merit good. The library's definition of a given service as a public good, a merit good, or a private good depends on the library's operating environment and perceptions of its role in the information marketplace.

Library networking activities, teletext, view data, videotex systems, microcomputer developments, new larger storage mechanisms, and the generally growing use of automated systems have increased the general public's awareness of information. These developments in library technology have come at a time when fiscal limits are forcing public and academic libraries to re-examine services that were once considered public goods. The first substantive user fees in libraries began with the introduction of computer based online reference services. Although computer-based services are not that different from other library

services, they have become a major focus in the controversy over charging fees in libraries. This focus has occurred, in part, because the costs of computer-based information services are more easily identifiable and attributable than traditional library services.

Section II - The types of existing fee structures, mechanisms and rationale for setting prices

The decision to charge or not to charge fees may reflect: tradition and attitudes within the library and/or community; legal capacity to charge a fee; availability of alternative sources of revenue; consideration of the political, economic, and social factors related to the provision of the services; the nature of the user population; the ability of the user to pay the fee; the impact of a given service on the library's ability to provide other services; and a host of other factors. The decision to charge or not to charge fees may be determined by federal and state officials, local policymakers, library directors, as well as members of the community served by the library. If the decision is made to charge fees, three major variables will influence the fee strategy employed: 1) The nature of the service; 2) The type of user; and 3) The cost of providing the service.

Section III - The arguments for and against fees

The issue of fees in publicly supported and academic libraries has generated considerable controversy. This section lists the most commonly used arguments for and against fee based services.

Anti-fee Arguments

1. Library services are a public good.
2. The American tradition of free library services is damaged by charging fees.
3. Fees are illegal.
4. Fees are discriminatory.
5. Fees represent a form of double taxation.
6. Libraries will place emphasis on revenue generating services.
7. Fees will have the long-term effect of reducing public support for libraries.
8. Fees might not be used to support library services.
9. The social benefits of library services are difficult to measure, therefore a fee cannot be efficiently assigned.
10. It is difficult to define special services and basic services and to distinguish between them.
11. Private and public sector markets are separate and should remain separate.
12. The cost of administering and collecting fees outweighs the financial benefits of fees.

13. Most users have little need for fee based online services.
14. If the service cannot be provided without a fee, the service should not be provided.
15. Improvements within library management and delivery of services would diminish the need for fees.
16. There is considerable staff resistance to fees.
17. Charging for a service subjects libraries to liability risks.

Pro-Fee Arguments

1. Charging fees increases recognition of the value and importance of library services.
2. Fees encourage efficient use of public resources.
3. Fees promote service levels based on need and demand.
4. Fees encourage management improvements.
5. Fees limit waste and overconsumption.
6. Fees enhance investment in ongoing maintenance and repair of public facilities.
7. Fees encourage a better understanding of the financial limitations of the local government.
8. Premium service should be provided only to those willing to pay a premium.
9. The tradition of charging for services is part of American culture.
10. Fees control growth of and lower demand for service.
11. Escalating service costs make user fees a necessity.
12. Most library users can afford to pay a fee.
13. Without fees, public and academic libraries could not serve the larger community or non-residents.
14. Fees cover only a small portion of the total cost of service provision.
15. Fees for most services are simple and inexpensive to collect.
16. Local policy may require libraries to charge for services.

Section IV (The types of services for which libraries are charging fees) and Section V (Selected summaries of recent studies on the use of fees in public and academic libraries) summarize what little data exist on the charging of fees. The results of surveys undertaken by the American Library Association, state libraries, and private researchers underscore the diversity of services for which fees are charged. In addition, the paper summarizes studies selected to provide a general overview of two aspects of fees in public and academic libraries: How many libraries charge fees and what is the effect of charging fees on the user.

Section VI - Recommendations -

It is clear from existing studies, from the discussion of the Panel members, and from the comments of other observers that data regarding fees in publicly funded and academic libraries are scarce. It is recommended that:

1. The library and information community use this study as a springboard for discussion of fees with the goal of clarifying issues and making sound policy decisions.
2. More data be gathered on who is charging fees and for what services.
3. Studies be undertaken to determine the effect of fees on: a) access to information by users, in particular those least able to pay, b) user behavior, and c) library service.

After the studies noted in numbers 2 and 3 are completed, the following additional studies might be undertaken:

1. The identification of the use of revenues derived from fees; are revenues earmarked for the service for which they are collected?
2. An analysis of the various approaches to subsidizing fees (for example, vouchers).
3. The legal basis for charging fees within cities, counties, etc. (Legal information on states should be available from the COSLA study mentioned in section V.

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The Role of Fees in Supporting Library and Information Services In Public and Academic Libraries

April 1985

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PREFACE

The issue of fees and access to information has been of interest to NCLIS since its establishment in 1970. Recently the issue was again brought to the attention of the Commission by its Task Force on Library and Information Services to Cultural Minorities. Three of the Task Force's recommendations to the Commission related to fees:

Recommendation #5. Benefits of the new technologies in libraries must be distributed equitably among patrons from all walks of life and all strata of society.

Recommendation #25. Urge libraries to remove the various barriers to information and services which exist. Funds should be made available to prevent barriers which are the result of insufficient numbers of staff, cost of automated services which cultural minorities are unable to absorb, and denial of access to information in the native tongue of some cultural minorities.

Recommendation #37. Tax supported libraries should avoid charging fees which might create barriers to minorities and minority communities.

During the discussion of these recommendations, members of the Commission raised several questions concerning the extent to which fees are charged, the percentage of libraries charging for any services, and the services for which fees are charged. Since the information to answer their questions was not readily available, the Commission decided that an overview study was needed to gather existing information and to indicate what data are missing. The Council on Library Resources generously provided funds for this study. An outside expert was chosen to write the paper and a distinguished Review Panel was selected to oversee its preparation. The Panel had no official government advisory role nor was it expected to play any advocacy role. The list of panel members (See Appendix A) reflects a wide range of expertise, perspectives, and interests. The Review Panel met on October 19, 1984 and February 6, 1985. The first meeting focused on defining the structure and content of the paper, the second, on reviewing and revising the draft. A final draft was presented to the Commission in April 1985.

The major findings of this study are:

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Section I: The Context Surrounding the Fee Issue in Public and Academic Libraries.

Introduction

The 1980's are a period of dramatic change in how public institutions raise and invest financial resources. Traditional revenue sources are lagging behind funding requirements for capital improvements and service delivery. Financial capacity is limited, and the competition for funding among programs is great.

In response to this financial pressure, there has been a significant growth in the use of fees within the public sector over the past decade. The Academy for State and Local Government indicates that revenue from fees and charges increased about three-fold from 1971 to 1981. A May 1983 Advisory Commission on Intergovernmental Relations (ACIR) survey revealed that raising user fees was the action most frequenty undertaken to raise local government revenue. In fiscal year 1982, local governments derived 32.8% of all of their own source revenue from fees and charges, compared to 28.5% in FY 77.

The use of fees in supporting public services has generated a considerable and continuing debate. These services may be:

- o exclusively supported by fees;
- o exclusively supported by public subsidy (often referred to as "free"); or,
- o supported by a blend of fees and public subsidy.

Determining which services to provide through fee financing and which services to subsidize are policy issues confronting an increasing number of public and academic librarians and public officials.

Use of Fees in the Public Sector

A recent Congressional survey of local government fiscal conditions offers the following evidence of fiscal stress:

- o expenditures are rising more quickly than revenues;
- o an increasing percentage of local governments experience operating budget deficits; and
- o federal assistance to local governments is declining in real dollars.

For a number of local governments, this problem is further exacerbated by:

- o a variety of state limitations on local revenue raising capacity;
- o the passage of voter referenda such as California's Proposition 13 and Massachusetts' Proposition 2 1/2;
- o The increased cost of public pension and health benefits, as well as escalating energy costs and other external influences.

The shrinkage in available revenue has had a profound impact on techniques used by local government to raise revenues. Local governments can no longer primarily rely on the property tax to underwrite capital provision and service delivery. Public officials seek to diversify and increase revenues through a

variety of approaches including a greater reliance on fees. A 1982 National League of Cities survey found that of those responding, 71% increased existing fees, while only 32% raised property taxes. In addition, 38% imposed new fees during that year.

Local governments apply fees to a variety of public services including:

- o local public utilities;
- o recreation and leisure services;
- o commercial and residential development regulation;
- o public transit systems; and,
- o solid waste collection and disposal.

The shift to fees moves the cost burden from the general tax payer to the user. Rather than the total community paying for a service, those who generate demand are obligated to pay for service delivery. For many fee based services, such as recreation, one may choose not to use the service. However, for other services, such as water, the user is unlikely to refuse the service if a fee is levied.

Historical Perspective

As a public institution funded by tax means, the public library has traditionally made its services available to the community. The tradition of "free" library service to users and the principle of equal opportunity of access to information have been considered the cornerstones of American librarianship. Traditionally, very few libraries charged for services or

materials. The library and its services were perceived as being public or merit goods. Many sources provide information of various kinds, but only the library has as its purpose selecting, preserving, and organizing the records of human achievement which collectively represent society's "public knowledge".

As an institution, the library potentially benefits all members of the community. It has been perceived as an essential public good.

> "If we have an information or knowledge society today, it is because we have had for the last century a strong tradition and an effective system of free public education with free libraries an integral component. To the extent that the library contributes to formal education, it shares in education's social benefits, which are considerable. Schools pass knowledge from one generation to the next; provide people with the skills needed to participate in our political and economic systems; and teach students socially desirable traits, such as orderliness, punctuality, and respect for authority. If these same traits can also be taught through informal schooling, the library also generates even more benefits in its role as a center for self-education." (1)

Public, Merit, and Private Goods

To understand the fee issue it is necessary to examine the public/private nature of service delivery. The traditional view of service provision is a continuum with pure **public goods** (fully tax-supported) at one end and pure private goods (fully fee-supported) at the opposite end. Many local services can be classified as pure **public goods**-services that affect the total community's quality of life and cannot be easily divided into purchasable units. Local services such as basic police and fire operations are typically considered **public goods** and are not usually financed by user charges. Private services such as

public utilities, solid waste disposal and municipal airports, offered by local government are usually provided through fee financing. By definition, **public goods** are those goods which because of their nature cannot be exchanged or distributed efficiently by the market.

> "These goods . . . exhibit either or both of two characteristics: . . . nonrivalness and nonexcludability . . . . Nonrival goods are not consumed but can be reused. A painting, for example, remains unchanged no matter how many people view it . . . A nonexcludable good is one that, once produced, is equally available to buyers and non-buyers alike; national defense, for example. People cannot be barred from enjoying a nonexcludable good, regardless of whether they have paid, and so they have no incentive to buy it." (2)

Private goods primarily benefit the individual purchaser. There are two principal characteristics of **private goods**. First, a person can be excluded from purchasing these goods by either the price or the limited supply. Second, purchase (or use) of these goods must deplete their supply (i.e., there is one fewer apple in the barrel) and there is a cost associated with providing each unit. It is generally believed that the user (and principal beneficiary) of **private goods** should pay for them.

Moving across the continuum from public to private services, the funding composition shifts from general revenue financing to fee based financing. Those services falling in the middle may be financed, depending on public policy, by a combination of revenue sources. **Merit goods** are provided by the community for both the benefit of the user and the overall good of the community. It is assumed that such goods would not be purchased if left to the

ability or preference of potential purchasers. Schooling is a merit good. We require all children to attend school up to a certain age because we know that education will be of value to them and to society. Students and their parents may lack the knowledge to evaluate education or may prefer alternatives with a short-term advantage (such as entering the work force at a younger age) to education's distant benefits, but the community takes a longer-term view.

Most library materials and services may be considered merit goods. Communities traditionally have been willing to pay for library services although a limited percentage of the population actually uses the library. Furthermore, unlike pure public goods, library services have the following characteristics:

- they offer services that have clearly identifiable benefits to the user;
- people can be excluded from using library services; and,
- the range of library and information services and the sources of information available are extensive. For example, in addition to, or instead of using libraries, information seekers may directly purchase publications from bookstores or newsstands or they may purchase services from a company, such as an information broker.

Many library services have both public and private qualities and may be financed either by general revenues or user fees or a blend of each.

In the Montgomery County, Maryland, Department of Public Libraries 1984 fee policy statement, library services have been divided into four categories: basic library services, partially subsidized services, fee supported services and services not

offered. Basic services are defined as

> "a public good...they are fully subsidized by tax revenues. No fees are charged. They include services which are currently provided without a fee, services required by law, and services unique to the public library, which no government or private agency provides". (3)

In addition, this category includes services which have one or more of the following characteristics: 1. needs which are in demand by the public and which are unmet by the private sector and 2. fees that are inappropriate which impact negatively on groups targeted for government services based on their needs...(Current examples of these groups include: the elderly, the handicapped, students, low income groups and other groups with special needs).

The definition of a given service as a public good, a merit good, or a private good depends on the library's operating environment and perceptions of its role in the information marketplace. A fee policy may be influenced by:

- community attitudes towards fees and charges;
- the economic and fiscal viability of the community;
- the diversity and range of services offered by the library;
- the costing and pricing rationale of the library;
- local availability of alternate sources of information to the consumer;
- the choices the consumer makes between obtaining publicly versus privately provided information;
- the value the information consumer places on increased convenience or time saved; and
- The perceived indirect benefits of the use of various library services.

Technology

Today's library is in transition. There is tremendous growth in the demand for knowledge and information. Furthermore, new technologies have enhanced the library's capacity to meet this demand while expanding its services. These technologies have improved both library and user productivity, and they have fostered a new generation of users. Library networking activities, teletext, viewdata, videotex systems, microcomputer developments, new larger storage mechanisms, and the generally growing use of automated systems have increased the general public's awareness of information. As the personal computer markets grows, increasing numbers of users have direct access capability through home delivery of information. These developments in library technology have come at a time when fiscal limits are forcing public and academic libraries to re-examine what services they will offer. To some public officials, the provision of any technology driven service merits the application of fees. These services are perceived as being different. Beyond this point of view, technology does create a different set of management parameters for both library management and the user. For example, computer- based reference and information retrieval services have several characteristics that encourage the use of fees. First, such services are innovative. Even though many online databases contain information identical to that included in traditional print indexes, the power of the computer to search titles and abstracts and to relate index terms using Boolean logic produces a product

that far surpasses the results possible with manual searching. Furthermore, information services available only online are becoming more common. The resultant savings in time and effort, if not in costs, are appreciated by librarian and consumer alike. Second, computer-based reference and information retrieval services produce a customized product for each user. It is unlikely that two searches would use exactly the same combination of search strategy, index terms, Boolean operators and search limiters (date, language, format etc.). This flexibility is a key factor in the value and attractiveness of the service. Finally, the costs of computer-based information services are easily identifiable and attributable. The ease with which cost figures can be obtained for an individual computer assisted search contrasts sharply with the use of manual indexes. It is impossible for any library to be certain of how many manual searches are made in a particular index, much less pass on to users the costs associated with providing that index.

There are other cost implications in moving from manual indexes to online reference services. Once a manual index is purchased, its cost remains fixed regardless of the level of usage. Costs associated with online services vary in relation to user demand (i.e. the greater the demand the greater the cost to the library). If these services are provided without charge to the user, there is a much greater risk to the library, in terms of cost, of providing online services versus placing an index on the shelf. Printed indexes are used as often as required with no additional cost to the library. A library providing online

services will pay each time the database is used. If seven users request the same information, the database will be searched seven times, and the library will be charged for seven searches. Because the cost of online services varies according to volume, it is a variable cost and cannot be precisely predicted. To recover this variable cost, a number of libraries charge a fee for online services.

> "In the past, publicly supported libraries have imposed charges on their users for special services, but charges for online search services were clearly different from what had been done before. At least two points of contrast are important: the fees were large (10 dollars not 10 cents) and the fees were for 'information'. Obviously, one could argue that anything in a library is information and any charge levied by a library is a charge for information, but we will not debate that issue here. What is important is that the charges for online searching were <u>perceived</u> as being different because they were charges for information".. (4)

The current financial pressures on libraries, due in part to the increased use of new information technologies, make it difficult, if not impossible, for many libraries to offer these services at no charge.

A basic principle of the information industry is that there is no such thing as "free information". Someone, either the taxpayer, those using a specific product or service, or both groups, pays the costs. What is the equitable distribution of cost and a fair price to "charge" for service delivery? Services are not provided to the public without cost; yet the equitable distribution of cost is typically demanded. For example, taxes

may cover the cost of producing a publication, but not for indexing and abstracting it. A private sector company may develop a product which enhances the value of the original product, by adding indexes, abstracts or compiling several publications into one volume.

Although an anathema to many libraries, fee-based service offered by academic and public libraries is becoming more common. In certain cases, it is suggested that these services could not be offered without fee support. A summary of arguments on both sides of the fee issue appears in Section III of this paper.

Section II: Types of Existing Fee Structures, Mechanisms and Rationale for Setting Prices.

Perhaps the best way to describe current public and academic library practices for establishing fee supported services is to say that they are varied. The decision to charge or not to charge fees may reflect: tradition and attitudes within the library and/or community; legal capacity to charge a fee; availability of alternative sources of revenue; consideration of the political, economic, and social factors related to the provision of the services; the nature of the user population; the ability of the user to pay the fee; the impact of a given service on the library's ability to provide other services; and a host of other factors.

The decision to charge fees may be determined by federal and state officials, local policymakers, library directors, as well as members of the community served by the library. If the decision is made to charge fees, publicly funded libraries must develop a pricing strategy which considers the following questions: Which products and services offered by the library will be subject to a fee? Will all users be charged the same fee for a given product or service, or will the library employ differential pricing as part of its strategy? What costs of providing the product or service will be recovered by the fee? And, how will the fee system be administered?

There are three major variables that influence the fee strategy employed:

- the nature of the service;
- the type of user; and
- the cost of providing the service;

(See appendix B for a conceptual framework within which to consider the application of fees in public and academic libraries)

A. Nature of the Service

The range of fee-based library services is substantial (see Section IV). The library can charge for all services, or only selected ones. It can charge for existing services or only for new ones. It appears, however, that no library, public or academic, charges a fee for all services.

How does a library determine which services will be free and which will be fee-based? There are several general questions that need to be asked: Can the user (individual or group) be identified? Can the payer be separated from the non-payer? Can the service be easily quantified? Some libraries have attempted to separate library services into basic services (provided free) and enhancements to basic services (provided for a fee). Such enhancements may provide the same product as traditional library services at a reduced time cost or increased convenience to the user, or may provide new services. Some libraries charge for

more extensive information services than those regularly provided. The fee may be based on the time a librarian spends on a request and/or the charges for use of computerized databases.

Many libraries charge service fees for "utility" or convenience services such as photocopying, the use of typewriters and similar services. Fees are sometimes charged for the use of an auditorium or other meeting room facilities. Frequently the fee is nominal and is assessed only if the group will be meeting beyond normal library staff hours.

Fees are also used to ration demand for specific services. A small fee might be assessed on an increasingly used service which the library believes it should be providing but cannot or will not limit as a budget item. For certain services, the library may not have the capacity to meet demand, and a fee is imposed to limit use.

B. Type of User

Depending on its pricing rationale, a library may either charge a uniform rate to all users or may distinguish among various types of users. In general, equity of fees for different user groups is more common in public libraries than in academic libraries. When differentiating fee structures are employed, the primary distinction is between what the library perceives as its primary and secondary clientele. For example, residents of a community (primary clientele) may obtain library services free of charge, while nonresidents (secondary clientele) may be required to pay a fee. Academic libraries may offer a service at one

price for students, another for faculty and staff, and yet another for users from outside the institution or they may charge the same fee for their primary users such as students, faculty, and staff, and a different fee for their secondary users including the general public and business and industry within the state. Libraries also establish fees for specialized groups within the community. There is a wide array of patrons with needs for customized information services. A number of academic and public libraries have established the fee-based information services as a means of recovering all or a portion of the costs of serving these users.

C. Cost of Providing the Service.

The fee charged is determined, in part, by one of the following pricing considerations.

Cost Oriented. Prices are generated to defray full or partial costs or to generate revenue in excess of cost.

Competition Oriented. Prices are influenced in part by what the user would have to pay to obtain that service from an alternative available source.

Demand Oriented. Prices vary in relation to the number of people who use the service in particular ways, during particular times, or at particular locations (e.g. charging a higher fee during peak load periods).

Convenience Oriented. Prices vary to reflect the value of the convenience of the service (e.g. establishing a fee for reserves).

Societally Oriented. Prices are adjusted to reflect societal objectives (e.g. lower prices for the poor, higher prices to discourage certain types of activities such as overconsumption of limited resources).

A fee is based either on full or partial cost recovery. Where partial cost recovery is used, the difference between the fee collected and the full cost of service provision represents a public subsidy. The most commonly used fee is the flat rate or fixed charge. It is simple to establish and administer and may encounter less public resistance than the variable rate which is based on such factors as frequency of use, volume, and level of effort required to meet individual information needs.

The diversity in fee structures and cost recovery options is most clearly seen in the case of online search services. Online searching costs can be divided into direct costs (connect time, off-line print charges, telecommunications costs) and indirect costs (staff time, equipment, supplies, utilities, furnishings, etc.) A 1981 American Library Association study titled Financing Online Search Services In Publicly Supported Libraries (5) reported that at least 75% of 383 survey respondents included the cost of communication, connect time, and offline printing in their fees. On the other hand, only 14% charged for the searcher's time, 12% for general operating expenses and overhead, and 4% for start-up expenses. The findings suggest that public funds are being used to finance indirect costs while fees are used to cover direct costs.

Current charging practices range from full cost recovery to fully subsidized computer search services. Some libraries recover partial costs by charging a flat fee for all searches, others charge for the cost of the specific search. Preferential pricing has been applied in some instances to differentiate in the fee schedules between user groups (e.g., student/faculty). (Appendix C presents the parameters of various pricing bases).

III: The Arguments for and Against Fees

As noted in the context section of this paper, the introduction of fees in publicly supported libraries has generated considerable controversy. This section presents the arguments for and against fee based services

A. ANTI-FEE ARGUMENTS

1. **Library services are a public good.** Free access is a fundamental right of each citizen in a democratic society.
2. **The American tradition of free library services is damaged by charging fees.** The introduction of fees is the beginning of the end of free library services.
3. **Fees are illegal.** (Some state legislation supporting library service is ambiguous and has been interpreted to exclude fees.)
4. **Fees are discriminatory.** Only those who can afford to pay may use special services. Fees negate equal access to information. They discriminate against those users who either lack the resources to pay for services, or are unwilling to pay for services. An individual's access to information will be based on ability to pay rather than need.
5. **Fees represent a form of double taxation.** Users are charged first by taxes to operate public services and then by charges for special services.

6. **Libraries will place emphasis on revenue generating services.** Libraries will shift from nonrevenue producing services to those which generate revenue, even if the nonrevenue services are vital to a part of society which cannot afford the fee.

7. **Fees will have the long-term effect of reducing public support for libraries.**

8. **Fees might not be used to support library services.** Revenues received from fees may be returned to the general revenue fund and allocated for non-library uses. No one has shown that revenue has actually increased after imposition of fees, when all costs are taken into account.

9. **The social benefits of library services are difficult to measure, therefore a fee cannot be efficiently assigned.** Fees charged have been set by tradition and habit and not out of any analysis of market demands or costs.

10. **It is difficult to define special services and basic services and to distinguish between them.** Should citizens be expected to pay extra for better fire department equipment, or additional police security assistance? Services once viewed as special are now viewed as basic.

11. Private and public sector markets are separate and should remain separate. The private sector should charge fees, reap profits, and compete in whatever manner is appropriate. Publicly funded libraries should provide services out of their budgets and should not provide services for a fee.
12. The cost of administering and collecting fees outweighs the financial benefits of fees.
13. Most users have little need for fee based online services. Users don't need a speedy response, they simply want an answer. Fee based online services are really a convenience for the librarian, not the user.
14. If the service cannct be provided without a fee, the service should not be provided.
15. Improvements within library management and delivery of services would diminish the need for fees.
16. There is considerable staff resistance to fees.
17. Charging for a service subjects libraries to liability risks because of the responsibilities implicit in providing a service for a fee.

B. PRO-FEE ARGUMENTS

1. Charging fees increases recognition of the value and importance of library services.

2. **Fees encourage efficient use of public resources.** Those who benefit from a given service should pay for its associated costs. An efficient pricing system allows the consumer the flexibility to choose from a variety of public goods and services and pay an amount that is in proportion to the amount consumed.

3. **Fees promote service levels based on need and demand.** The willingness of the public to pay for a service is a good indication of the public's demand for the service. However, willingness to pay is not the only indicator. By pricing public goods and services, local government is demonstrating the need to diversify its revenue base, and provide those services supported by the community.

4. **Fees encourage management improvements.** Examples of such improvements include increased productivity, better time management, better organization and control, and the establishment of a management plan based on staffing, equipment, and available resources. Accurate financial control is an ongoing responsibility for the departments that administer fee based facilities.

5. **Fees limit waste and overconsumption.** Setting a fee can lessen inefficient or wasted use of public facilities. Fees have a rationing effect on user

consumption. Indeed, a pricing plan may be structured to limit "peak load" situations or encourage use in off hours.

6. **Fees enhance investment in ongoing maintenance and repair of public facilities.** Fees improve the level of facility maintenance in providing revenue dedicated to maintaining the service.
7. **Fees encourage a better understanding of the financial limitations of the local government.** Pricing public facilities indicates that there are financial limits to what government can provide.
8. **Premium service should be provided only to those willing to pay a premium.** Users should be given the choice of having these services. These are services not traditionally provided by the library.
9. **The tradition of charging for services is part of American culture.** Users pay fees for other public resources and services such as bridges, highways, museums and parks.
10. **Fees control growth of and lower demand for service.** If service demand is greater than capacity to meet that demand, fees help to discourage "frivolous" use of services.
11. **Escalating service costs make user fees a necessity.** Information has economic value. "Free" access to information is not the same as

"without charge". Adopting a no-fee policy forces substantial limits to service. "Free" services are unrealistic in times of tight budgets.

12. **Most library users can afford to pay a fee.** The public library serves a relatively young, educated, middle-income segment of the population. Low income persons make limited use of the library. A fee based library would relieve the poor of the tax burden associated with the free library.
13. **Without fees, public and academic libraries could not serve the larger community or non-residents.** Fees for non-residents are equitable since this group does not pay the taxes levied on residents. Fees for non-students are equitable because this group pays no tuition.
14. **Fees cover only a small portion of the total cost of service provision.**
15. **Fees for most services are simple and inexpensive to collect.**
16. **Local policy may require libraries to charge fo[illegible] services.**

IV: The Types of Services for Which Libraries are Charging Fees.

The results of surveys undertaken by the American Library Association, state libraries, and private researchers underscore the diversity of services for which fees are charged. Table 3 presents the summary of a 1978 survey of charges for services undertaken by ALA and Table 4 presents a summary of the results of a 1976-1977 survey of California libraries.

Table 3

SUMMARY OF THE SURVEY OF CHARGES FOR SERVICES IN 716 UNITED STATES PUBLIC LIBRARIES DURING FISCAL YEAR 1977

	No charge		Charge for all users		Charge for non-residents only	
Service	No. of libraries	% of returns	No. of libraries	% of returns	No. of libraries	% of returns
Photocopying/microcopying	52	7	633	88	7	1
Reserve notification	416	58	223	31	5	1
Meeting rooms (after hrs.)	361	50	189	26	1	—
Audiovisual equipment	284	40	149	21	4	1
Film rental	399	56	146	20	8	1
Book rental (best seller?)	428	60	95	13	5	1
Typewriter rental	203	28	87	12	—	—
Art print rental	413	57	73	10	2	—
Meeting rooms (reg. hours)	491	69	71	10	5	—
Vending machines (pens/pencils)	50	7	70	8	—	—
Interlibrary loan	589	82	66	9	3	—
Computer based ref. serv.	78	11	31	4	—	—
AV software (not film)	488	68	23	3	—	—
Computer based ref. serv. (beyond initial time)	68	9	17	2	—	—
Library card	436	61	13	2	—	—
Admission to library sponsored progs.	603	84	10	1	5	1
Ref. Serv. (not computer based)	608	85	6	1	6	1

Lynch, Mary Jo. "Confusion twice compounded: report of a PLA survey of fees currently charged in public libraries," *Public Libraries* vol. 17, no. 3, Fall 1978, p. 11-13.
Note: Please use no charge information with care, author indicated inaccuracies because of design of questionnaire.

Source: Bassnet, Peter. Canadian Library Journal, April 1981

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Table 4

SUMMARY OF THE SURVEY OF CHARGES FOR SERVICES IN 170 CALIFORNIA PUBLIC LIBRARY JURISDICTIONS DURING FISCAL YEAR 1976-1977

Service	No. of libraries	% of whole	Range of charge	Most common charge
Photocopying	136	80	5 cents — 25 cents per copy	10 cents per copy
Reserve notification	84	49	5 cents — 25 cents	15 cents
Typewriter rental	39	23	10 cents — 25 cents per 30 mins.	25 cents per 30 mins
Film rental	34	20	10 cents — $1 each	50 cents each
Meeting rooms	30	17	$3-$100 per metting	$10 per meeting
Book rental (best sellers)	25	15	2 cents — 16 cents per day	10 cents per day
Audiovisual equipment	23	14	$1-$5 each	$1 each
Microform copying	14	10	10 cents — 25 cents per print	25 cents per print
Art print rental	7	5	10 cents — $15 per print	N/A
Sound recording	6	4	10 cents — 30 cents per week	N/A
Computer based ref. serv.	2	1	$2 per item — $17.50 per hour	N/A
Business newsletter	1	1	$5 subscription	N/A
Interlibrary loan	1	1	25 cents	N/A

Clark, Colin. "Charge for Service, the California practice," *News Notes of California Libraries*, vol. 72, no. 2, 1977 p. 17-20.

Source: Bassnet, Peter. Canadian Library Journal, April 1981

More recently, the state libraries of Montana and California completed fee studies of the libraries within their respective states. The results of the Montana study are shown below in Table 5, followed by a summary of the California study.

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TABLE 5

LIBRARY FEES IN MONTANA: A SURVEY

January, 1984

Compiled by Ellen Newberg

There were thirty-two (32) responses to the questionnaire. Breakdown by type of library was as follows: Public-18; Academic-11; Special-3; School-0.

QUESTION	YES	NO	NOT APPLICABLE	RANGE OF CHARGES **
Data base searching (online)	8	10	14	Cost=5; Cost + 10%=2; Other=1 ($35.00 which incl. search plus 10 documents)
AV materials (e.g. films)	9	16	7	$2-3=1; $2-5=1; Cost=4; Postage only=2; Unspecified
AV equipment (e.g. film projector	6	17	7	$2.00=1; $4-15=1; $5.00=2; Cost=1; Unspecified=1
Reserves (Hold on a book not in)	2	29	1	$ 0.25=1; $1.00=1
Univ. of Washington Resource Sharing Program fees (RSP)	12	15	5	$1.00 per filled request=1; Cost=11
Adult library programs (adult education)	0	19	13	
Children's story hours	0	19	13	
Meeting room rental	3	20	9	$4.00 per hour=1; $5-10=1; Unspecified=1
Research done for non-residents	5	21	6	$5.00 per hour=1; $10.00 per hour=2; Cost=2
Non-resident library card fee	16	15	1	$1-5=1; $5.00=4; $5-10.00=1; $10.00=5; $13.00=1 $15-25=1; $15-30=1; $25.00=1; $40.00=1
Microcomputer use	1	8	23	$3.00-5.00 per week=1
Software use	0	7	25	
Photocopying (paper to paper)	27	2	3	5¢=3; 7¢=1; 10¢=12; 15¢=7; 20¢=3; 25¢=1
Photocopying (fiche to paper)	13	5	9	10¢=8; 15¢=3; 25¢=5; 50¢=2
Photocopying (microform reproduction)	4	10	18	25¢=1; 50¢=1; 50¢/page=1; $12.00/roll=1
TOTALS	111	213	154	

**Explanation of "Range of Charges" format: When asked if they charged a fee for "Data base searching (online)" in the first question, five (5) libraries reported that they passed the exact cost to themselves on to the user. Two (2) libraries charge a 10% surcharge in addition to the cost they incur. One reported charging a flat fee of $35.00 which includes the search plus ten photocopies of selected documents.

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1983 California State Library Public Library Survey

This 1983 survey was returned by 139 libraries, an 82% response. Overdue fines and copy machine charges were excluded from the survey. Thirty libraries reported they charged no service fees, several citing the 1978 Attorney General's Opinion prohibiting fees for basic services.

Of fees charged, the most common is for reserve materials and interlibrary loan.

> "Seventy-one libraries reported charging for a reserve notice post card, the amount ranging from the basic 13 cents postage up to $1. The most common charges are 25 cents (38 libraries), and 50 cents (18 libraries). Eleven libraries charge for interlibrary loan beyond system boundaries, claiming this falls outside system equal access provisions. Fees range from $1 to $5. The next most common fee reported is for rental of or insurance on audiovisual materials. Thirty libraries charge for film rental, $1 (14 libraries), and 50 cents (11 libraries). Twenty-four libraries charge for videocassette rental, ranging from 50 cents to $3, the most common fees being $1 (9 libraries),and $2 (8 libraries). Three libraries charge for audio records and tapes, in varying amounts. The third most common category of library fees is meeting room and equipment use. Thirty-six libraries report charges for meeting rooms, varying by size of room, by equipment provided (such as kitchen facilities), and by length of use or time of day. [Some libraries] have different fees for profit and non-profit groups. Thirty-one libraries charge for loan of audiovisual equipment such as movie projectors and screens. Twelve make personal microcomputers available for a fee, usually based on a time unit such as $1 for half an hour. Ten libraries offer rental typewriters, for similar charges. Individual libraries rent tools, darkroom space, laminating machines, or various vending machine services. Fourteen libraries report a non-resident card fee, primarily for persons residing out of state in the case of CLSA-member libraries. The highest fee reported is $43, but more common are $5 (5 libraries), $10 (4 libraries), and $25 (3 libraries). Rental book collections are reported in nine libraries, with a different fee schedule in almost every one. Typical charges are 50 cents for three days and $1 for a week. Seven libraries charge for ILL borrowing of census microfilms for genealogy searches, and six charge for reference searches on computer data base." (6)

V. Selected Studies

The following studies were selected to provide a general overview of two aspects of fees in public and academic libraries: How many libraries charge fees and what is the effect of charging fees on the user. This is not an exhaustive list because, at present, there is no comprehensive information available.

A. The Number of Libraries Charging Fees

Financing Online Search Services in Publicly Supported Libraries. This 1981 study was conducted by ALA's Office for Research with partial support from The Council on Library Resources, BRS, SDC, and Lockheed. Questionnaires were sent to 985 publicly supported libraries in the continental U.S. The results show that 72% of the 985 libraries surveyed charge user fees for online services. The final breakdown is: university community (415 of 445 charge fees), public libraries (38 of 53), 4-year colleges (93 of 137), 2-year colleges (19 of 28), schools (3 of 6), government agencies (50 of 166), health science libraries (42 of 78) and library systems (5 of 13). Online systems had been in effect for less than 5 years (97%) and more than 10 years (3%). Seventy-five percent of the respondents include communication costs, online time and off-line printing in the fees. Fourteen percent charge for the searchers time, 12% for general operating costs and 4% for start-up costs. (table 6)

TABLE 6

LIBRARIES CHARGING ANY FEE TO ANY USER

TYPE OF LIBRARY	FINANCING METHOD									
	FEE		NO FEE		OTHER		NO ANSWER		TOTAL	
	#	%	#	%	#	%	#	%	#	%
PUBLIC	38	(72)	14	(26)	1	(2)	--	--	53	(100)
2-YR. COLLEGE	19	(68)	8	(28)	1	(4)	--	--	28	(100)
4-YR. COLLEGE	93	(68)	42	(31)	2	(1)	--	--	137	(100)
UNIVERSITY	415	(93)	28	(6)	2	*	--	--	445	(100)
SCHOOL	3	*	3	*	--	--	--	--	6	*
GOVT. AGENCY	50	(30)	109	(66)	6	(4)	1	*	166	(100)
HEALTH	42	(54)	33	(42)	3	(4)	--	--	78	(100)
LIBRARY SYS.	5	*	7	*	1	(8)	--	--	13	*
OTHER LIBRARIES	44	(74)	14	(24)	1	(2)	--	--	59	(100)
TOTAL	709	(72)	258	(26)	17	(2)	1	**	985	(100)

SOURCE: ALA, FINANCING ONLINE SEARCH SERVICES IN PUBLICLY SUPPORTED LIBRARIES, 1981

*PERCENTAGES NOT GIVEN WHEN BASE IS LESS THAN 25.
**LESS THAN 1%

Center for Business Research (CBR) of Long Island University.

In preparation for a conference on "Fee-Based Research in College and University Libraries", a questionnaire was mailed to 1,590 directors of academic libraries. The questionnaire asked whether services were provided for users outside the academic community, and whether outside users were charged any fee. There were 937 respondents. Of these, 841 (89.7%) provide some services to outside users.

> "The charging of fees was more common then originally expected. Five hundred eighty-seven charged fees for some service, which represents 69.7 percent of those who permit outsiders and 62.6 percent of the total response." (7)

Free Library of Philadelphia Project.

This 1983 survey polled central public libraries located in 25 U.S. cities with populations of 300,000 to 500,000. (The cities were Albuquerque, Atlanta, Austin, Buffalo, Charlotte, Cincinnati, Denver, El Paso, Fort Worth, Kansas City, Long Beach, Miami, Minneapolis, Nashville, Newark, Oakland, Oklahoma City, Omaha, Pittsburgh, Portland, St. Louis, Seattle, Toledo, Tucson, and Tulsa). All 25 libraries surveyed responded to the questionnaire. Approximately 70% (17 out of 25) provided online systems to the public using varying fee structures.

> "Three institutions charged 100 percent of costs incurred, plus an extra fee for staff time; three of the libraries charged 100 percent, but had no extra fee; eight (47 percent) said that searches were normally free (but four of the eight maintained specific time or dollar restrictions); and three had a variety of arrangements." (8)

Big Ten Survey.

A 1981 survey on charging policies for online services in the Big Ten universities (Illinois, Indiana, Iowa, Michigan, Michigan State, Minnesota, Northwestern, Ohio State, Purdue, and Wisconsin) found that all of the universities charge for the full, direct cost only; however, the charge depends on the vendor used. More often than not, the university has multiple types of contracts with different vendors. The study concludes that

> "while the current environment may dictate charging library patrons for online reference services, we believe that future improvements in online systems will result in the library's absorbing an increasing percentage of the total cost." (9)

COSLA Survey of Fees for Service.

The Chief Officers of State Library Agencies in cooperation with ALA's Association of Specialized and Cooperative Library Agencies (ASCLA) are in the final stages of developing a questionnaire on fees. The survey is designed to assess the current status of fees for service charged by public and state libraries from the state library perspective. The study defined fees for service as:

> "A charge fixed by libraries and assessed individual users in exchange for specified information, products, or services. For the purpose of this survey, overdue fines and copying charges are excluded." (10)

The ASCLA Headquarters office will have copies of each state's response as part of the COSLA Clearinghouse.

Reference and Adult Service Division (RASD) of ALA:

This committee is acting as a clearinghouse within ALA for all committees, divisions, and individuals working on or thinking about programs, publications, and/or other activities relating to providing reference services and document delivery for a fee. The committee has expressed interest in coordinating the gathering of practical information for libraries considering the feasibility of charging fees and the alternatives to charging fees.

B. Effect of Charging Fees

Only a few limited studies have been conducted about the effect of fees on users. Models of demand for services have been developed; however, they have not been tested. The few empirical studies that do exist provide little insight into the effect of fees on the use of specific information services.

DIALIB PROJECT:

The DIALIB Project was a three year study which investigated the impact of varying fee levels on demand. During the first year of the study, selected public libraries in California offered online literature search services at no charge. One-half price charges were introduced the second year; more than half of the patrons paid $10 or less during this year. A significant decrease in demand was experienced: by the end of the second year, only 750 searches had been completed, compared to 2000 searches conducted during the free period. The change in the third year from one-half to full fee had little impact on the search volume.

University of Delaware:

This 2-year study compared student demand during a period of unsubsidized searching. In the initial year of the study, users were charged the full vendor costs plus a 15 percent surcharge for online searches. During the following academic year, subsidies were provided for graduate and undergraduate students

without access to research funding: the student paid one-half of the total search charges with a $5 minimum. In contrast to the first year of operation when 20 percent of the total number of searches were performed for students, during the second year 48 percent of the searches were for students, and 32 percent of the total were subsidized by the library. Use of the subsidy was almost equally divided between graduate and undergraduate students.

Most searches were conducted in connection with regular coursework. Evaluation forms returned by 69 percent of the students showed that 82 percent were satisfied with their search results and 70 percent would definitely do a computer search again, while an additional 22 percent would possibly do a further search contingent upon topic and cost. Significantly, only a third of respondents indicated that they would be willing or able to pay the full cost of the search.

University of Pennsylvania:

A six year project was conducted by librarians in an information center in Pennsylvania. They observed changes in demand from physicians for computerized searches. From 1972-1973, with no fee, there were 645 search requests. The first year of charging fees, 1975-1976, the request rate dropped 77% to 147. (11)

California State Library Public Library Survey

(For a full description of the survey also see section IV). Included in the questionnaire was a comment section on the effect of fees on service. Of the 139 libraries responding

> "28 libraries felt fees had little or no effect on service, 17 said they limit use slightly, and four commented use of all services was increasing despite fees". (12)

VI: Recommendations

It is clear from existing studies, from the discussion of the Panel members, and from the comments of other observers that data regarding fees in publicly funded and academic libraries are scarce. It is recommended that:

1. The library and information community use this study as a springboard for discussion of fees with the goal of clarifying issues and making sound policy decisions.
2. More data be gathered on who is charging fees and for what services.
3. Studies be undertaken to determine the effect of fees on: a) access to information by users, in particular those least able to pay, b) user behavior, and c) library service.

Additional suggestions for future studies include:

1. The identification of the use of revenues derived from fees; are revenues earmarked for the service for which they are collected?
2. An analysis of the various approaches to subsidizing fees (for example, vouchers).
3. The legal basis for charging fees within cities, counties, etc. (legal information on states should be available from the COSLA study mentioned in section V).

In addition to studies, leadership is needed within the professional library and information science community. This leadership might be in the form of promoting education on policy

issues. Informed discussion of the fee issue could be included in the agenda for professional conferences and in library school curricula. Although the fee issue is controversial, and distasteful to many in the profession, it needs to be thoughtfully examined so that informed policy decisions can be made.

Appendix A

Review Panel Members

Kathleen Bingham, Executive Vice President, Find/S.V.P., New York

Michael Bowen, Director, Books and Journals Division, American Chemical Society

*Anne Caputo, S.E. Regional Representative, Dialog Information Services and Associate Professor, Catholic University

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**Eugene Wright, former Director, New Orleans Public Library

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Consultant

Philip Rosenberg, President, Philip Rosenberg and Associates

* unable to participate in panel meetings
** resigned from panel

Appendix B

Matrix portraying the inter-relationship among variables.

Matrix of Fee Strategies

USER SERVICE	ALL USERS	SELECTED USERS			
		TYPE A	TYPE B	TYPE C	TYPE D
ALL SERVICES					
SELECTED SERVICES					
EXISTING SERVICES					
NEW SERVICES					

Within each cell, one may indicate the fee amount and basis or bases.

APPENDIX C

BASIS FOR PRICING

USER FEE BASIS	ALL USERS	SELECTED USERS			
		TYPE A	TYPE B	TYPE C	TYPE D
Full Cost/ Flat Rate					
Full Cost/ Variable Rate					
Partial Cost/ Flat Rate					
Partial Cost/ Variable Rate					
Direct Cost/ Flat Rate					
Direct Cost/ Variable Rate					

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